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C O N F I D E N T I A L BRASILIA 000529

SIPDIS

TREASURY FOR OASIA - NANCY LEE

E.O. 12958: DECL: 03/04/2024

TAGS: EFIN ECON PREL BR

SUBJECT: BRAZIL CONSIDERS EFFECT OF IMF-ARGENTINA STANDOFF

REF: BRASILIA 463

Classified By: Economic Counselor Roman Wasilewski, reasons 1.5 (b) and (d).

¶1. (C) The GoB has yet to really focus on what effect an IMF-Argentina train wreck would have on Brazil and the rest of Latin America, accordi

¶2. (C) Coming against the backdrop of negative Brazilian growth in 2003 (reftel), falling real incomes and an unprecedented fiscal squeeze to pay the interest on its debt, an Argentina-IMF compromise that blesses a substantial debt reduction would promi

¶3. (C) Comment: The GoB and Lula are concerned enough about the fallout -- both political and economic -- from an Argentina-IMF collision for Lula to have called the White House on Argentina's behalf Tuesday, March 2. Whatever the IMP/Argentina outcome, the GoB may feel at risk of collateral damage: almost any compromise -- regardless of the size of the "haircut" private economy needs to unleash its potential.

VIRDEN